

AR43



REALTY CAPITAL
CORP. LIMITED

FEDERAL SAVINGS and LOAN CORPORATION

COUNTY SAVINGS and LOAN CORPORATION

Annual Reports

1971



Digitized by the Internet Archive
in 2024 with funding from
University of Alberta Library

https://archive.org/details/Real2399_1971

FINANCIAL HIGHLIGHTS

Earnings Summary

Total Income	\$ 3,529,273	\$ 1,208,171	192.1
Interest Charges	1,859,154	585,224	217.7
Expenses	999,572	449,763	122.2
Income Taxes	312,993	92,500	238.4
Earnings for the year	357,614	80,684	343.2

Shareholder Items (per Class A share)

Earnings for the year	\$ 0.74	\$ 0.20	270.0
Dividends	0.20	0.20	—
Equity*	4.31	3.77	14.4

Other Data*

Total Assets	\$45,036,185	\$15,558,732	189.5
Shareholders' Equity	2,073,008	1,811,549	14.4

Number of Shares Outstanding:

Class A	306,375	306,375	—
Common	174,400	174,400	—

*at December 31

CONTENTS

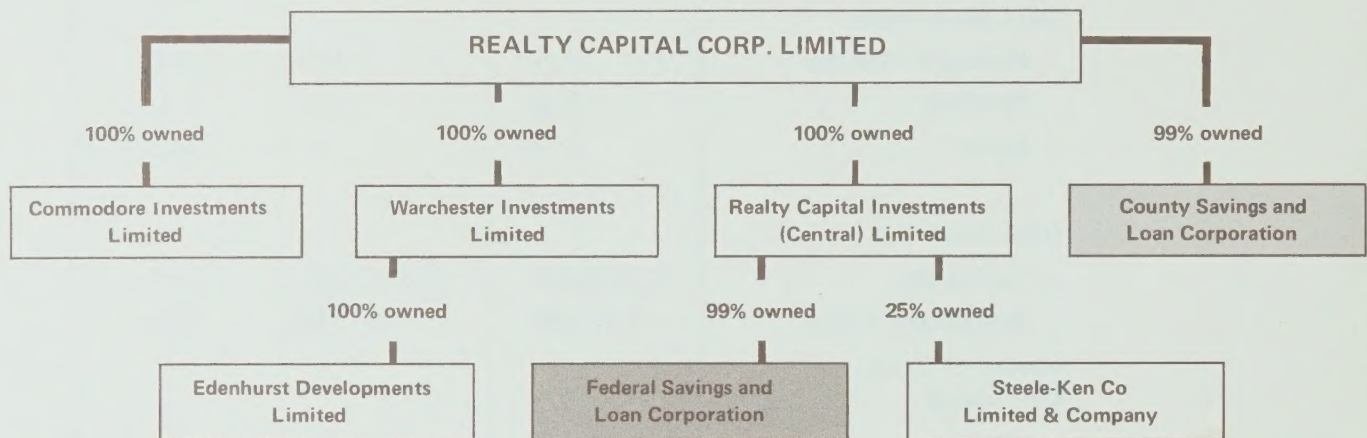
Corporate Structure	Page 2
Realty Capital Corp. Limited Annual Report	Page 4
Federal Savings and Loan Corporation Annual Report	Page 22
County Savings and Loan Corporation Annual Report	Page 32
Consolidated Seven Year Summary	Page 41

CORPORATE STRUCTURE

(as at April 18, 1972)

Since its incorporation in 1962, Realty Capital Corp. Limited has developed into a diversified financial corporation whose operations are oriented within the allied fields of finance and real estate. With the acquisition of Federal Savings and Loan Corporation in March, 1971, the company increased its total assets to over \$45,000,000 and established itself firmly in the savings and loan field, where it now has over 80% of its assets. This area of activity is, and management expects will continue to be, the foundation upon which the company will develop further.

and are members of the Canada Deposit Insurance Corporation. They offer a wide range of banking and investment services including savings and chequing accounts, money orders, mortgage loans, travellers cheques, foreign remittances, personal loans, term deposit certificates and debenture investment certificates. As mentioned earlier, management intends to expand its activities in this field through new branch openings and increases in the number of services offered at each location. As a result, additional income sources will be created to both stabilize the



Each of the company's subsidiaries is in either the financial or real estate field, or in a business closely related to these fields. The purpose is to enable Realty, through its subsidiaries, to provide as comprehensive a financial and real estate service as possible, in order to service customers on a "complete" basis, and in the process leverage to the fullest possible degree the effort and costs involved in obtaining a customer. Thus far this approach has proven successful and it is management's intention to continue to broaden the range of services available at each of its branches and subsidiaries.

SAVINGS AND LOAN DIVISION

Federal Savings and Loan Corporation
County Savings and Loan Corporation

Both these corporations are registered under The Loan and Trust Corporations Act of Ontario, are approved lenders under the National Housing Act,

companies' earnings base and provide for further growth. It is intended that part of any new equity raised by Realty will be used to broaden the equity base of this division, where the leverage factor is highest and the income potential particularly attractive.

REAL ESTATE DIVISION

Realty Capital Investments (Central) Limited
Edenhurst Developments Limited
Steele-Ken Co. Limited and Company

This division is operated by the wholly-owned subsidiaries Realty Capital Investments (Central) Limited, Edenhurst Developments Limited as well as 25% owned Steele-Ken Co. Limited and Company. It is the intention of management to further expand in this sector of Realty's business by selling its land holdings for which there are no present development plans and making future land purchases strictly for development

purposes. Most of the intended development will be for resale purposes while some, where beneficial, will be retained for income producing purposes.

INTERIM, BRIDGE AND SECONDARY MORTGAGE FINANCING DIVISION

Commodore Investments Limited

Warchester Investments Limited

These wholly-owned subsidiaries operate this division of Realty's business. They, themselves, and as agents for others, provide funds for bridge and interim financing to builders and developers. As agents, they earn a yearly management fee and currently manage mortgage portfolios for other lenders. They also lend money for secondary financing on real estate.

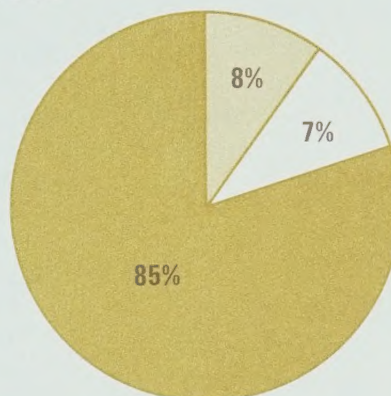
This form of lending complements the permanent financing functions provided builders by the company's savings and loan subsidiaries.

SUMMARY

The structure of the company incorporates a large measure of flexibility in order to respond quickly to

changing market conditions and to enable it to benefit from such changes as they occur. Because of its diversity the company can alter its emphasis away from temporarily depressed business areas to more lucrative ones without difficulty.

ASSETS



- Savings and Loan Division.
- Real Estate Division.
- Interim, Bridge and Secondary Mortgage Financing Division.

REALTY CAPITAL CORP. LIMITED

Directors: David S. Ades, *B.Sc., A.M.C.T.,*
President,
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation, and
County Savings and Loan Corporation
Jeanne Ades,
Ralph E. Ades,
Chairman of the Board
William G. Durst, *F.R.I.,*
Vice-President,
Harvey Keith Real Estate Limited, *Toronto*
Pierre Genest, *Q.C.,*
Cassels, Brock, *Toronto*
Robert E. Smith,
Baar, Bennett & Fullen, *New York*
Gerald Rose, *S.R.A.,*
Vice-President & General Manager, Realty Capital Corp. Limited
Secretary, Federal Savings and Loan Corporation
Roger I. Coe, *C.A.,*
Treasurer,
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation, and
County Savings and Loan Corporation
Roland B. Dodwell,
Walwyn, Stodgell & Co., *Toronto*
Peter Schlesinger,
President, Parkinson Foundation of Canada

Officers: Ralph E. Ades, *Chairman*
*David S. Ades, *B.Sc., A.M.C.T., President*
*Gerald Rose, *S.R.A., Vice-President and General Manager*
*Roger I. Coe, *C.A., Treasurer*
Gordon G. Dickson, *Secretary*
Raymond E. Mitchell, *C.A., Comptroller*

Special Advisor: *Consiglio Di Nino

Auditors: Clarkson, Gordon & Co.,
Chartered Accountants, Toronto

Trustees and
Transfer Agent: Common Shares and Secured Certificates
Guaranty Trust Company of Canada, *Toronto*

Class "A" Shares and Subordinated Debentures
Montreal Trust Company, *Toronto*

Bankers: Royal Bank of Canada
Canadian Imperial Bank of Commerce

Legal Counsel: Cassels, Brock
Barristers & Solicitors, Toronto

*Members of Executive Committee



REALTY CAPITAL CORP. LIMITED

President's Report

GENERAL

Operating results for the year ended December 31, 1971 were very gratifying and represent record highs in the history of your company.

The substantial increase in earnings achieved in 1971 is traceable to several factors among which were: the inclusion of nine months earnings of Federal Savings and Loan Corporation which was acquired on March 30, 1971; increased earnings of your company's then 54% owned (now 99% held) subsidiary, County Savings and Loan Corporation; reduced general interest rates in money markets; and, a general improvement in business conditions.

Indications are that 1972 will be another record year for the company, assisted by a greatly improved climate in the real estate and land development market, which had been somewhat depressed during 1971.

REVIEW OF FINANCIAL STATEMENTS

Earnings

Total income for the year ended December 31, 1971 was \$3,529,273, compared to \$1,208,171 in 1970.

Of this total, \$2,973,651 or 84% was generated by the Savings and Loan Division, \$524,190 or 15% by the Interim, Bridge and Secondary Mortgage Financing Division and \$31,432 or 1% by the Real Estate Division.

Net earnings for the year increased 343% to \$357,614 from \$80,684 in 1970. Earnings per Class "A" and common share were \$0.74 as compared to \$0.20 and \$0.11 respectively last year.

Expenses

In 1971 total expenses rose to \$2,858,726 from \$1,034,897 last year. This is largely due to the addition of nine months expenses of Federal Savings and Loan Corporation.

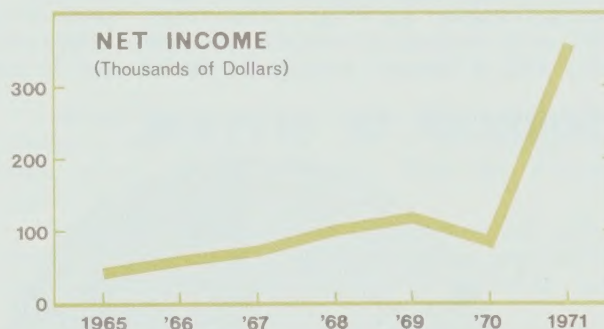
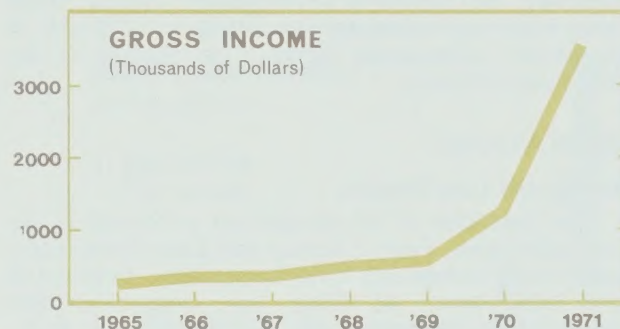
Through the planned amalgamation this year of Federal and County and relocation of the head offices of all the companies, it is expected that administrative expenses will be reduced in relation to total revenue.

Doubtful Debts

It is the policy of the management to write off as an expense any debts that it considers to be of a doubtful nature.

During 1971, the Real Estate and Interim, Bridge and Secondary Mortgage Financing Divisions had no such write-offs. County Savings and Loan Corporation wrote

off \$10,747 and Federal Savings and Loan Corporation, \$62,180. This latter amount related to debts that existed at the time of Federal's acquisition.



Dividends and Shareholders' Equity

Your company once again paid dividends of 20¢ per Class "A" and common share during 1971 which amounted to \$96,155 and represented 27% of net income. It is anticipated that at least the same amount per share will be paid during 1972. Shareholders' equity increased to \$2,073,008.

Shareholders

At the end of March 1972 shares of Realty Capital Corp. Limited were held by 513 individuals, partnerships and corporations, located in eight provinces. This represents a further broadening of the company's equity distribution, a trend which has continued in the current year. We welcome all new shareholders and look forward to their active participation in the affairs of the company. We also hope that they will, where beneficial, make use of the services it offers.

DEVELOPMENTS AFTER YEAR-END

Since year-end a number of significant developments have occurred which management considers beneficial to your company's future. Among these are: the acquisition of additional shares of County Savings and Loan Corporation, with the result that your company now holds approximately 99% of the outstanding shares of County; the announced proposal to establish the new Toronto airport in Pickering which if finalized should result in the expropriation of most of the company's land holdings in that township; and the relocation of head offices of all companies of the Realty Capital group to a building at 141 Yonge Street which is owned by Federal Savings and Loan.

In addition, negotiations have been completed for the sale of the land holdings of Steele-Ken Co. Limited and Company and Edenhurst Developments Limited. These sales, which are scheduled for closing in 1972 will, if completed, substantially increase the earnings of the Real Estate Division.

OPERATIONS

Savings and Loan Division

The functions of this division are performed by its two subsidiaries, Federal Savings and Loan Corporation and County Savings and Loan Corporation. At year-end the total assets of these two companies were \$38,186,770, compared with \$32,995,027 in 1970. Their combined revenue was \$3,374,843. For the year ended December 31, 1971, your company consolidated 98% of the earnings of Federal for only nine months and only 54% of County's earnings for the full year. In the

current year, your company will be able to consolidate 99% of the total earnings of each of these subsidiaries for the entire year. The activities of these two subsidiaries are described in detail in another part of this report.

Real Estate Division

In 1971, this sector of your company's business was not as active as anticipated and revenue from this division amounted to \$31,452.

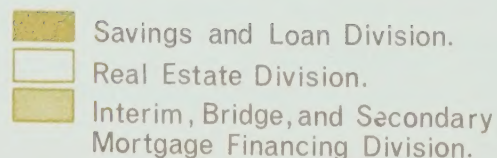
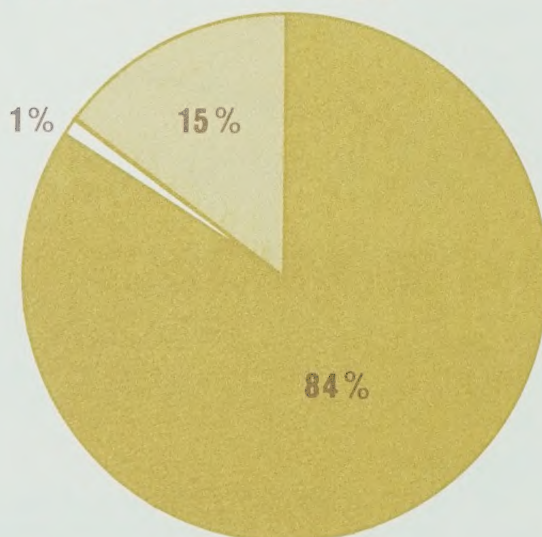
Due to the favourable developments mentioned previously, earnings from this division should increase substantially during 1972. In addition management plans to begin construction of a townhouse condominium project in the Town of Markham during the current year.

Interim, Bridge and Secondary Mortgage Financing Division

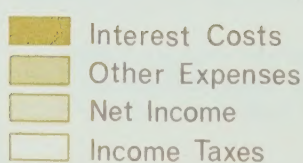
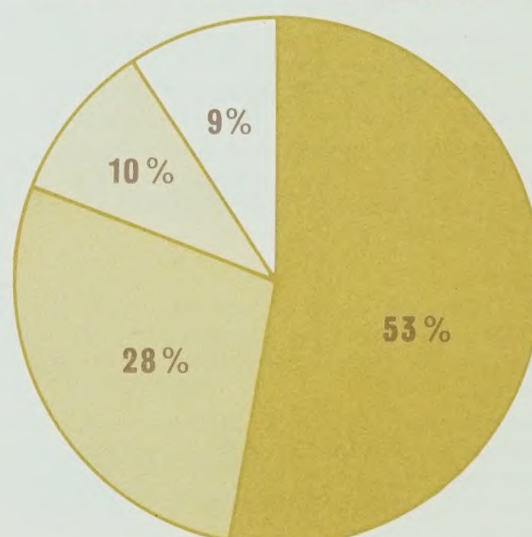
This division primarily provides bridge or interim financing for new construction. As such, it serves as an important adjunct to the conventional and National Housing Act mortgage financing done by your company's two savings and loan subsidiaries. It provides builders with bridge financing as well as secondary mortgage financing if and when needed to enable new houses to be purchased with lower down payments. This division is also active in second mortgage lending for residential loans.

In the year ended December 31, 1971, results of this division were gratifying, with gross income rising to \$524,190 from \$396,873 last year. In the current year, this trend appears to be continuing.

SOURCES OF REVENUE



APPLICATION OF REVENUE



Mortgage Banking, Agency and Syndications

To an increasing extent over the past few years, your company, through its subsidiaries, has performed all of these mortgage functions. In view of the growth opportunities available in these fields, management intends to establish a separate division to further expand on these functions.

During 1971, the Savings and Loan Division was active in both mortgage banking and mortgage agency or brokerage. Approximately \$1,727,000 in N.H.A. mortgages were sold at a profit by Federal to another lending institution. Federal also acted as agent in finding and placing on a fee basis, mortgage loans for other institutions.

Commodore Investments Limited was also instrumental in finding and placing on a fee basis, mortgages with other institutions. In addition, it arranged and managed on a fee basis large mortgages, parts of which it retained while selling or syndicating the remainder of each mortgage.

Consumer Loans

Through the six branches of its savings and loan subsidiaries, your company now offers consumer loans to the public at rates competitive with Canadian chartered banks. This service was first offered in November, 1971 and to date results have been encouraging. With the approval of the appropriate government bodies, management plans to expand this service to up to 7% of the total assets of the savings and loan subsidiaries, and thereby benefit from the larger rate spread it offers.

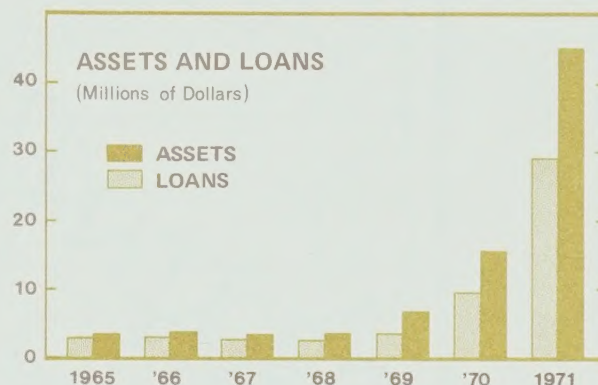
OUTLOOK

As outlined above, management intends to direct the company's expansion within the areas of activity in which it is presently involved. Emphasis will be placed on the Savings and Loan Division and the various services that it can render.

It is the intention of management to grow, through acquisition of other financial concerns, where such acquisitions make business and economic sense, and where the services rendered by such concerns are similar to, or complementary with those now rendered by Realty's subsidiaries. Internal growth of the present structure, through the addition of services and expansion of existing ones, also plays a major role in the company's long term plans. The ultimate objective is to enable Realty, through its various subsidiaries, to offer a complete financial service.

Currently there are signs of rising interest rates. I believe that with a possible slight upward movement, rates will stabilize during the balance of the year. Notwithstanding this expected rate adjustment the profitability of the company's activities should be maintained.

Management will continue its efforts to improve the margin of profitability of Federal to that presently being achieved by County. I also anticipate an appreciable rise in income from the company's Real Estate Division. These factors, coupled with the anticipated normal growth of the Savings and Loan Division, the addition of new services and the expected economies to be achieved from the joining together of company head offices, should result in increased earnings in 1972.



I would like to take this opportunity to express my thanks to management and staff of the company for their efforts in the past year. They are sincerely appreciated.

On behalf of the directors, management and staff, I also wish to convey to all shareholders, my sincere appreciation for their continued assistance and co-operation.

April 18, 1972

David S. Ades,
President

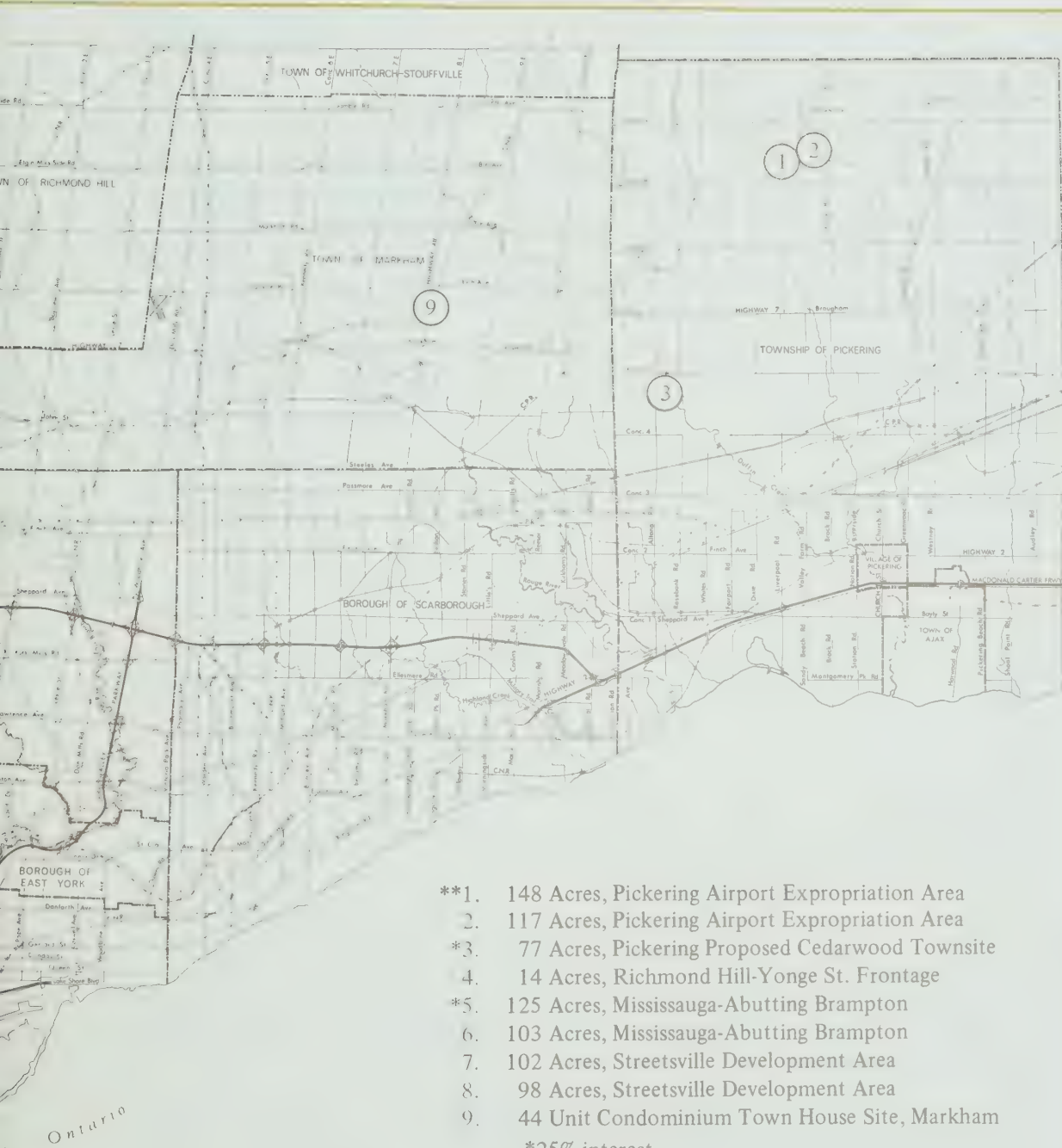


REALTY CAPITAL CORP. LIMITED

LAND HOLDINGS



THE MUNICIPALITY OF METROPOLITAN



- **1. 148 Acres, Pickering Airport Expropriation Area
 - 2. 117 Acres, Pickering Airport Expropriation Area
 - *3. 77 Acres, Pickering Proposed Cedarwood Townsite
 - 4. 14 Acres, Richmond Hill-Yonge St. Frontage
 - *5. 125 Acres, Mississauga-Abutting Brampton
 - 6. 103 Acres, Mississauga-Abutting Brampton
 - 7. 102 Acres, Streetsville Development Area
 - 8. 98 Acres, Streetsville Development Area
 - 9. 44 Unit Condominium Town House Site, Markham
- *25% interest
- **75% interest



REALTY CAPITAL CORP. LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet December 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

	<u>1971</u> (note 1)	<u>1970</u>
Mortgages receivable (note 2)	\$29,227,804	\$ 9,556,142
Securities (note 3)	6,289,501	1,066,131
Real estate held for development and/or sale (note 4)	3,641,609	3,350,311
Cash and bank deposit receipts	4,048,448	1,038,298
Office premises and equipment (note 5)	1,100,415	197,097
Sundry accounts receivable and prepaid expenses	339,970	89,491
Income taxes recoverable		6,509
Consumer and demand loans	201,538	79,253
Investment in and advances to joint venture (note 6)	130,475	110,225
Unamortized financing expenses	56,425	65,275
	<u>\$45,036,185</u>	<u>\$15,558,732</u>

AUDITORS' REPORT

To the Shareholders of
Realty Capital Corp. Limited:

We have examined the consolidated balance sheet of Realty Capital Corp. Limited and its subsidiary companies as at December 31, 1971 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the consolidated financial position of the companies as at December 31, 1971 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 27, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

LIABILITIES

	1971 (note 1)	1970
Deposits and debentures (note 7)	\$34,497,769	\$ 7,937,481
Mortgages payable (note 8)	2,207,125	2,153,588
Long term debt (note 9)	2,005,076	2,068,115
Bank loans (note 10)	2,235,000	510,000
10% note due March 12, 1972	100,000	
Accounts payable and accrued charges	257,114	112,357
Income taxes payable	110,846	
Mortgagors' tax deposits	321,472	
Unamortized discounts and placement fees (note 2)	647,476	507,600
Deferred income taxes	202,638	133,731
Minority interest	335,033	284,361
Excess of net book value of shares of a subsidiary over cost (note 14)	43,628	39,950
	<u>42,963,177</u>	<u>13,747,183</u>
Shareholders' equity:		
Capital (note 11)	1,529,100	1,529,100
Contributed surplus	8,000	8,000
Retained earnings	535,908	274,449
	<u>2,073,008</u>	<u>1,811,549</u>
	<u>\$45,036,185</u>	<u>\$15,558,732</u>

On behalf of the Board:

David S. Ades, Director

Gerald Rose, Director

(See accompanying notes to consolidated financial statements)



REALTY CAPITAL CORP. LIMITED

(Incorporated under the laws of Ontario)

Consolidated Statements of Earnings

for the Year Ended December 31, 1971

(with comparative figures for 1970)

and Retained Earnings

	1971 (note 1)	1970
EARNINGS		
Income:		
Income from mortgages (note 2)	\$2,223,034	\$ 749,536
Income from securities (note 3)	552,798	60,251
Profit on mortgage and real estate sales	124,549	105,977
Profit on joint venture		21,043
Mortgage brokerage fees	205,287	
Mortgage placement fee and discount amortization	328,049	196,165
Other income	95,556	75,199
	<u>3,529,273</u>	<u>1,208,171</u>
Expenses and other deductions:		
Interest on —		
Deposits and debentures	1,636,240	395,856
Long term debt	152,631	150,083
Bank loans and short term note	70,283	39,285
	<u>1,859,154</u>	<u>585,224</u>
Administrative and general expenses	905,063	403,346
Amortization of financing expenses	10,100	12,976
Depreciation and amortization	42,598	20,446
Minority interest	41,811	12,995
	<u>2,858,726</u>	<u>1,034,987</u>
Earnings before income taxes	<u>670,547</u>	<u>173,184</u>
Income taxes:		
Current	244,024	62,300
Deferred	68,909	30,200
	<u>312,933</u>	<u>92,500</u>
EARNINGS FOR THE YEAR (NOTE 12)	<u><u>\$ 357,614</u></u>	<u><u>\$ 80,684</u></u>
RETAINED EARNINGS		
Balance, beginning of year	\$ 274,449	\$ 289,920
Earnings for the year	357,614	80,684
	<u>632,063</u>	<u>370,604</u>
Deduct:		
Dividends paid —		
Class A shares (per share, 1971 - 20¢; 1970 - 20¢)	61,275	61,275
Common shares (per share, 1971 - 20¢; 1970 - 20¢)	34,880	34,880
	<u>96,155</u>	<u>96,155</u>
Balance, end of year	<u><u>\$ 535,908</u></u>	<u><u>\$ 274,449</u></u>

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1971

(with comparative figures for 1970)

	1971 (note 1)	1970
Sources:		
Earnings for the year*	\$ 521,032	\$ 157,301
Increase in bank loans	1,725,000	245,000
Increase in deposits and debentures**	26,560,288	7,937,481
Increase in mortgages payable	53,537	207,523
Increase in mortgagors' tax deposits**	321,472	
Excess of net book value of shares in a subsidiary over cost (note 1)	3,678	39,950
Net other sources (dispositions)	(3,043)	272,308
	<u>\$29,181,964</u>	<u>\$8,859,563</u>
Dispositions:		
Increase in bank deposit receipts and securities**	\$ 8,233,520	\$2,082,255
Increase in mortgages receivable less unamortized discounts and placement fees thereon**	19,531,786	6,024,093
Increase in real estate held for development and/or sale and investment in joint venture	311,548	373,874
Increase in premises and equipment**	945,916	207,595
Dividends -		
Class A shares	61,275	61,275
Common shares	34,880	34,880
Repayment of long term debt (note 9)	63,039	75,591
	<u>\$29,181,964</u>	<u>\$8,859,563</u>

* After adding back (deducting) depreciation, amortization of financing expenses, deferred income taxes and adjustments for prior years' earnings and minority interest (1971 - \$163,418; 1970 - \$76,617).

** Includes assets and liabilities of Federal Savings and Loan Corporation acquired during year (note 1).

(See accompanying notes to consolidated financial statements)



REALTY CAPITAL CORP. LIMITED

Notes to Consolidated Financial Statements

DECEMBER 31, 1971

1. Principles of Consolidation

The consolidated balance sheet includes the accounts of Realty Capital Corp. Limited and all of its subsidiary companies as listed below.

Company	Ownership	
	1971	1970
Included in 1971 and 1970		
Commodore Investments Limited	100%	100%
Warchester Investments Limited	100%	100%
Realty Capital Investments (Central) Limited	100%	100%
Edenhurst Developments Limited	100%	95%
County Savings and Loan Corporation	54%	52%
Included in 1971 only		
Federal Savings and Loan Corporation	98%	

The consolidated statement of earnings includes the earnings of the above subsidiaries from their respective effective dates of acquisition. All such acquisitions were accounted for using the purchase method of accounting.

The company acquired approximately 98% of the issued and outstanding shares of Federal Savings and Loan Corporation effective March 30, 1971 for a net cash consideration of \$1,579,112 plus expenses of \$23,188, for a total of \$1,602,300. Particulars of the net assets acquired are as follows:

	Book Value	Adjustment to Fair Value	Fair Value
Mortgages and accrued interest less unamortized discounts and placement fees	\$15,445,663		\$15,445,663
Securities at amortized cost plus accrued interest	6,399,229	\$ (121,327)	6,277,902
Office premises and equipment	392,148	243,576	635,724
Other (including cash and bank deposit receipts of \$2,105,165)	2,292,510		2,292,510
	<u>24,529,550</u>	<u>122,249</u>	<u>24,651,799</u>
Deduct:			
Deposits and debentures	22,589,441	200,000	22,789,441
Other liabilities	316,421		316,421
	<u>22,905,862</u>	<u>200,000</u>	<u>23,105,862</u>
Net assets	<u>\$ 1,623,688</u>	<u>\$ 77,751</u>	<u>1,545,937</u>
Deduct minority interest			<u>27,505</u>
			1,518,432
Add goodwill			<u>83,868</u>
Net cash consideration			<u>\$ 1,602,300</u>

The difference between the fair value (cost) of the securities, building and debenture debt acquired and their book value is being amortized over the terms to maturity of the securities and debentures and over the estimated life of the building. Such amortization amounted to \$115,173 in 1971.

The goodwill shown above has been eliminated through amortization and the application of the company's portion (approximately \$77,000) of Federal Savings and Loan Corporation's reduction in income taxes due to losses and other items carried forward from prior years.

During the year the company acquired 2,300 shares (2%) of County Savings and Loan Corporation for a cash consideration of \$9,630 which was \$3,678 less than the book value of such shares at the dates of acquisition. See note 14 for further acquisitions of County Savings and Loan Corporation shares subsequent to the year end.

In addition, the company also acquired 5 shares (5%) of Edenhurst Developments Limited for a cash consideration of \$31,795 which was \$31,790 in excess of the book value of such shares and which amount has been assigned to the carrying value of land.

2. Mortgages receivable

Mortgages receivable are carried on the balance sheet at their outstanding principal amount, plus accrued interest and less allowances for losses. Purchase discounts, if any, are included in "Unamortized discounts and placement fees" which, in the wholly-owned subsidiaries, are amortized on a straight-line basis over the terms of the mortgages and in County Savings and Loan Corporation over the terms of the mortgages or five years, whichever is the lesser. For Federal Savings and Loan Corporation these items are amortized over the terms of the mortgages based on the "sum-of-the-digits method".

3. Securities

Bonds are stated at amortized cost plus accrued interest and stocks at cost less amounts written off. Securities held are comprised of the following:

	<u>1971</u>		<u>1970</u>	
	<u>Book Value</u>	<u>Quoted Market Value</u>	<u>Book Value</u>	<u>Quoted Market Value</u>
Government of Canada and provincial bonds	\$4,272,003	\$4,276,187	\$ 923,110	\$ 913,309
Municipal and corporate bonds	1,423,120	1,383,548	41,011	37,678
Common and preference shares	594,378	556,321	102,010	70,897
	<u>\$6,289,501</u>	<u>\$6,216,056</u>	<u>\$1,066,131</u>	<u>\$1,021,884</u>

The government bonds represent the securities held by the company's two savings and loan subsidiaries, County Savings and Loan Corporation and Federal Savings and Loan Corporation, in accordance with certain requirements under the Loan and Trust Corporations Act.

Included in income from securities are gains of \$89,680 in 1971 and losses of \$95 in 1970.

4. Real estate held for development and/or sale

Real estate includes interests in several parcels of land and houses. These properties are valued at cost plus maintenance and carrying costs to date. No significant development costs have been incurred to December 31, 1971. In the opinion of management the market value of this real estate is not in the aggregate less than cost.

5. Office premises and equipment

	<u>1971</u>	<u>1970</u>
Buildings - cost	\$ 441,190	\$127,754
Furniture and equipment - cost	<u>204,315</u>	<u>69,192</u>
	645,505	196,946
Less accumulated depreciation	<u>217,663</u>	<u>61,960</u>
	427,842	134,986
Land - cost	656,217	50,671
Leasehold improvements at cost less amounts written off	<u>16,356</u>	<u>11,440</u>
	<u>\$1,100,415</u>	<u>\$197,097</u>

6. Joint venture

The company has a 25% interest in a limited partnership formed to develop a tract of land. This investment is carried in the company's accounts at cost plus its share of undistributed profits.

No significant development costs relating to the remaining unsold land have been incurred to December 31, 1971.

7. Deposits and debentures

Deposits and debentures including accrued interest consist of the following:

	<u>1971</u>	<u>1970</u>
Debentures and term deposits due within one to five years	\$19,315,970	\$3,750,392
Demand deposits	<u>15,181,799</u>	<u>4,187,089</u>
	<u>\$34,497,769</u>	<u>\$7,937,481</u>

8. Mortgages payable

The mortgages payable are secured by specific charges on land held for development, certain real estate acquired for sale and the company's premises. They bear interest at rates between 6% and 10¼% and call for principal repayments as follows:

1972	\$ 182,013
1973	57,125
1974	332,173
1975	459,707
1976	60,500
Subsequent to 1976	<u>1,115,607</u>
	<u>\$2,207,125</u>

9. Long term debt

Details of the long term debt are as follows:

	<u>1971</u>	<u>1970</u>
Realty Capital Corp. Limited,		
Secured certificates -		
7% - 9% Series 1, due in various amount to March 1, 1974 (a)	\$ 22,296	\$ 24,296
6¾% Series 2, due September 23, 1974 (b)	500,000	500,000
7% Series 5, \$385,001 (U.S.), principal amount due January 31, 1981, payable \$38,333 (U.S.) annually (b) and (c). . . .	413,640	454,825
8% Series 6, \$500,000 (U.S.), principal amount due June 25, 1984, payable \$38,000 (U.S.) annually commencing June 25, 1972 (b) and (c)	540,313	540,313
6¾% Subordinated Convertible Debentures Series A, due December 1, 1974 (d)	394,500	394,500
8% Subordinated Convertible Debentures Series B, due October 22, 1978 (e)	100,000	100,000
Warchester Investments Limited		
7½% - 9% loans payable secured by mortgages (f)	34,327	54,181
	<u>\$2,005,076</u>	<u>\$2,068,115</u>

Principal repayments are called for as follows:

1972	\$ 100,674
1973	120,314
1974	976,840
1975	82,235
1976	82,235
Subsequent to 1976	642,778
	<u>\$2,005,076</u>

- (a) The Trust Indenture securing the Secured Certificates Series I requires the company to, among other things, maintain with the Trustee mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the Trust Indenture referred to in (b) below, no further Series I Certificates may be issued.
- (b) The Trust Indentures securing Secured Certificates Series 2, 3, 5 and 6 require, among other things, that the company will maintain on deposit with the Trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificate issued thereunder. The Indentures also contain restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.
- (c) Long term debt sold in United States funds has been translated at the exchange rate prevailing at the date of issue of the debt. If the debt had been translated at the prevailing exchange rate at December 31, 1971, the liability would be reduced by approximately \$68,000. As debt repayments cover a considerable number of years during which the exchange rates could fluctuate the debt has not been translated at current exchange rates.
- (d) The Subordinated Debentures Series A are convertible into 1 Class A share for every \$5 in principal

amount thereof up to November 27, 1974. After the issue of additional Class A shares subsequent to December 31, 1971 (see note 14) the conversion rate will be 1 Class A share for every \$4.73 in principal amount of debenture.

- (e) The Subordinated Debentures Series B are convertible into Class A shares at the rate of 1 Class A share for every \$4.22 in principal amount of debenture up to October 21, 1973 and 1 Class A share for every \$4.72 in principal amount thereafter up to October 18, 1978.
- (f) The loans payable by Warchester Investments Limited include loans of \$19,163 which mature prior to December 31, 1972.

10. Bank loans

Details of bank loans are as follows:

- (a) A loan of \$835,000 is secured by Secured Certificates Series 3. These Secured Certificates may be issued in unlimited principal amounts at varying interest rates and maturity dates. See note 9(b) for details of the Trust Indenture securing this series.
- (b) A loan of \$1,400,000 is payable on demand, bears interest at the rate of 8½% per annum, or 2% per annum above the bank's prime rate, whichever is greater. Interest is payable monthly. Subject to any demand for payment, the company has acknowledged to its bankers its intention to repay the loan over a period of five years up to March 31, 1976. The loan is secured by second mortgages on certain parcels of land, a pledge of the company's interest in a limited partnership and a floating charge on certain other assets.

11. Share capital

- (a) Details of authorized and issued capital:

Authorized -

1,000,000 cumulative (20¢) non-voting participating
Class A shares without par value
360,000 common shares without par value

	<u>1971</u>	<u>1970</u>
Issued -		
306,375 Class A shares	\$1,195,500	\$1,195,500
174,400 common shares	<u>333,600</u>	<u>333,600</u>
	<u>\$1,529,100</u>	<u>\$1,529,100</u>

- (b) Share warrants:

At December 31, 1971 share warrants were outstanding which entitled the holders to acquire one Class A share for each warrant held as follows:

	<u>Exercisable to</u>	<u>Exercise price</u>	<u>Class A shares reserved for exercise</u>
Series A	October 1, 1974	*\$5.00	30,000
Series C	{ February 15, 1974	4.50 }	
	{ February 15, 1979	5.00 }	155,000
Series D	February 1, 1976	4.00	50,000
Series E	June 25, 1984	4.00	<u>60,000</u>
			<u>295,000</u>

(c) Shares reserved for warrants, convertible debt and share exchange:

At December 31, 1971 the company's authorized but unissued share capital was reserved to the following extent -

For issue under share purchase warrants presently outstanding (see (b) above)	*295,000 shares
For issue under conversion privileges attached to the -	
6¾% Subordinated Debentures (see note 9(d) above)	78,900 shares
8% Subordinated Debentures (see note 9(e) above)	23,696 shares
For share exchange offer referred to in note 14	106,572 shares
	<u>504,168 shares</u>

* The issue of 106,522 fully paid Class A shares as set out in note 14 gives rise to the following:

- (i) A decrease in the exercise price of Series A warrants from \$5.00 to \$4.73.
- (ii) A decrease in the conversion of 6¾% Subordinated Debentures from \$5.00 to \$4.73 (see note 9(d) above) and a requirement to reserve a further 4,504 Class A shares for this conversion.
- (d) The Trust Indenture covering the issue of the Secured Certificates provides, among other things, that dividends cannot be paid if they exceed in the aggregate an amount equal to one-half of the consolidated net earnings since January 1, 1965 to the date of such dividend.

12. Earnings per share

	1971		1970	
	Class A Shares	Common Shares	Class A Shares	Common Shares
Applicable to outstanding shares	74.4¢	74.4¢	20.0¢	11.1¢
Fully diluted	48.5¢	48.5¢	20.0¢	6.3¢

Fully diluted earnings per share reflect the effect which would result if all employee stock options and share warrants with dilutive effects outstanding at the end of each period and all Subordinated Convertible Debentures had been exercised or converted at the beginning of each period. For the purpose of these calculations earnings of \$66,118 (\$50,175 in 1970) have been imputed at an after tax rate of 4%.

Pro-forma earnings per share - If the acquisition of shares of County Savings and Loan Corporation as referred to in note 14 had taken place as of January 1, 1971 the earnings per share figures would have been:

	1971	
	Class A Shares	Common Shares
Applicable to outstanding shares	67.2¢	67.2¢
Fully diluted	46.8¢	46.8¢

13. Other

- (a) At December 31, 1971 the corporation had mortgage commitments totalling approximately \$4,350,000.
- (b) The company is contingently liable in the amount of \$185,500 for the portion of mortgages assumed by joint participants in certain land held for development.
- (c) The company is committed to pay \$291,753 in respect of the 29,470 partly paid shares of Federal Savings and Loan Corporation held by them at the call of the directors of that company not later than 1974.
- (d) At December 31, 1971 a former officer of Federal Savings and Loan Corporation held an option to purchase 15,000 shares (approximately 7%) of the capital stock of that subsidiary at \$11 per share. This option expires on June 30, 1974.
- (e) The aggregate remuneration paid or accrued by the company and its subsidiaries to directors and senior officers (as defined by the Business Corporations Act, 1970 Ontario) amounted to \$159,047 in 1971. This included the remuneration of two employees not considered to be part of the company's management.
- (f) For comparative purposes certain 1970 accounts have been reclassified to conform with classifications adopted in 1971.

14. Events subsequent to the year end

Effective January 1, 1972, the company acquired 53,261 common shares of County Savings and Loan Corporation as a result of a share exchange offer which, together with the 62,814 shares previously owned, gives the company ownership of 99.98% of the shares outstanding. As consideration for the 53,261 shares acquired, the company issued 106,522 fully paid Class A shares at an assigned value of \$3.50 per share.

The company proposes to offset the excess of net book value over cost of previously acquired common shares of County Savings and Loan in the amount of \$43,628 against the goodwill which will arise on this acquisition.



FEDERAL SAVINGS and LOAN CORPORATION

ANNUAL REPORT 1971

FEDERAL SAVINGS AND LOAN CORPORATION

Directors: David S. Ades, *B.Sc., A.M.C.T.*
President,
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation and
County Savings and Loan Corporation
Donald C. Early,
Chairman, Ontario Development Corporation
Peter Mackenzie,
Director and Vice-President,
Dominion Securities Corporation Limited, *Montreal*
Ralph S. McCreath, *Q.C.,*
Day, Wilson, Campbell, Martin, *Toronto*
Roger I. Coe, *C.A.,*
Treasurer,
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation and
County Savings and Loan Corporation
Pierre Genest, *Q.C.,*
Cassels, Brock, *Toronto*
Gerald Rose, *S.R.A.,*
Vice-President, Realty Capital Corp. Limited
Secretary, Federal Savings and Loan Corporation

Officers: *David S. Ades, *President and General Manager*
*Consiglio Di Nino, *Assistant General Manager*
*Roger I. Coe, *C.A., Treasurer*
*Gerald Rose, *S.R.A., Secretary*
Irving Kneller, *Assistant Secretary*
Robert A. Wormald, *C.A., Comptroller*

Legal Counsel: Cassels, Brock, *Toronto*

Auditors: Clarkson, Gordon & Co., *Toronto*

Department Managers:

Robert A. Wormald, *C.A., Accounting*
Consiglio Di Nino, *Branches - Advertising, Promotion*
Glen H. Morrow, *Consumer Loans*
Irving Kneller, *Mortgages*
Roger I. Coe, *C.A., Securities*
Gerald Rose, *S.R.A., Special Advisor, Loans*

Branch Managers:

Stanley G. Tripp, *141 Yonge Street*
Theodore Kokkinos, *605 Danforth Avenue*
Hans Kaarls, *950 St. Clair Avenue West*
Frank De Profio, *1850 Eglinton Avenue West*

*Members of Executive Committee



FEDERAL SAVINGS AND LOAN CORPORATION

President's Report

The year 1971 was a very successful and eventful one for Federal Savings and Loan Corporation. Profits rose to their highest level in your company's history as a result of the combined effect of declining interest rates, increased assets and improved cost controls.

For the year ended December 31, 1971, net operating income increased 335% to \$85,778 from \$19,718.

Net earnings per share increased to \$1.59 from \$0.15.

Effective March 30, 1971, Realty Capital Corp. Limited purchased approximately 98% of the issued and outstanding shares of the company and, as a result, substantial changes have been made in management.

Accounting Policy

The new management has changed the method of accounting for gains on sales of bonds. These gains are now recorded as income at the time the bond is sold, whereas they previously were deferred and amortized if the proceeds were reinvested in other bonds. In 1971, the foregoing changes resulted in an increase in income before taxes of approximately \$20,000. This method complies with generally accepted accounting principles.

Earnings

In the year ended December 31, 1971, total income of \$2,441,022 was up 11% over the 1970 figure of \$2,196,797. Net operating income rose to \$85,778 or \$0.53 per share compared with \$19,718 or \$0.12 per share for 1970.

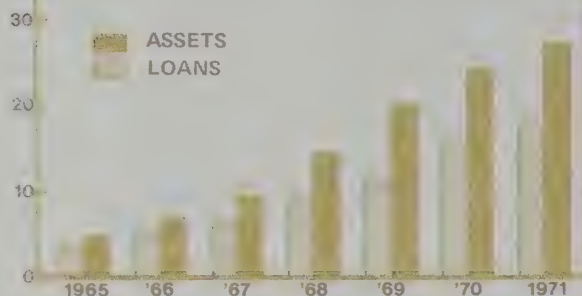
Net income was \$259,576 or \$1.59 per share compared with \$24,548 or \$0.15 per share in 1970.

Assets

Total assets increased by \$2,927,002 to \$26,984,049 at year-end. Most of this 12% growth was in the company's mortgage portfolio. The average yield on earning assets in 1971 was 9.4%.

ASSETS AND LOANS

(Millions of Dollars)



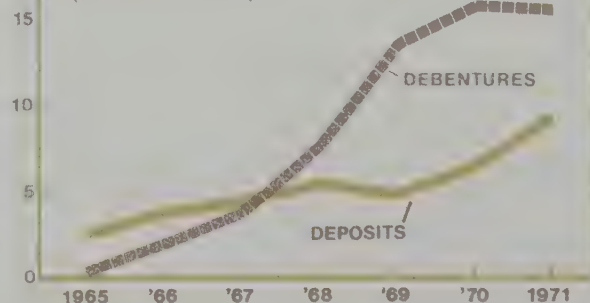
The mortgage portfolio increased by \$2,468,220 to \$17,707,472. Of the total portfolio, 33% were mortgages insured by Central Mortgage and Housing Corporation.

Deposits and Debentures

The improved results achieved by the company in 1971 are largely traceable to the growth in chequing and savings deposits of its branches. Chequing and savings accounts increased in number to 7,660 and in value by \$3,699,899. This resulted in a reduction in the average overall cost of borrowing.

DEPOSITS AND DEBENTURES

(Millions of Dollars)



Securities

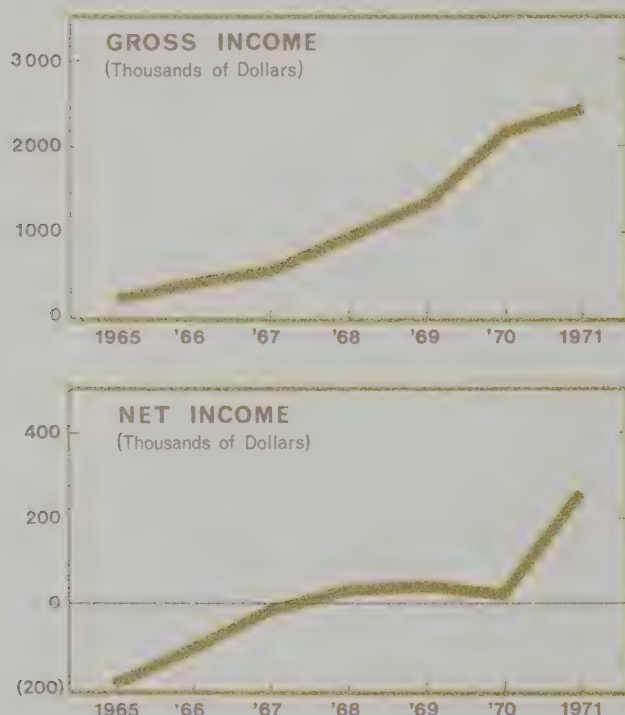
New management formed a Securities Investment Committee early in 1971 which with the assistance of a number of leading Canadian investment dealers manages your company's bond and equity investments. The result

has been an increase in the profitability of this department and an improvement in the quality of the total portfolio.

Consumer Loans

In August of 1971, Mr. Glen H. Morrow joined the company to head its recently formed consumer loan department. Mr. Morrow was previously with a Canadian chartered bank and was responsible for administering its personal loan business throughout the province of Ontario. Since its official formation on November 15, 1971, the performance of the consumer loan department has been encouraging.

Currently your company is permitted to invest up to 3% of its total assets in this field. As this department grows, and conditions warrant, it is the intention of management to seek government approval to increase this percentage up to 7% of total assets.



The Year In Review

The year 1971 was primarily one of consolidation, reorganization of asset and liability mixes and management restructuring. The results have been gratifying as indicated in the financial statements of this report. The company's auditors have been changed to Clarkson, Gordon & Co. to conform with affiliated and associated companies.

As at December 31, 1971, the number of customers serviced by the branches increased to about 11,600.

Management

With the acquisition of the company by Realty Capital Corp. Limited, Messrs. Allan C. Butler, Barry P. Hayes, Jr., E. Paul Henry, John Stewart and Frederic J. Weymar resigned from the board of directors. We thank them for their contribution to the advancement of the affairs of the company during their respective tenures on the board.

During the year we welcomed as directors of the company, Mr. David S. Ades, Mr. Roger I. Coe, C.A., Mr. Pierre Genest, Q.C., Mr. Ralph S. McCreath, Q.C., and Mr. Gerald Rose, S.R.A.

We also welcome into the management group Mr. Consiglio Di Nino as assistant general manager, Mr. Robert A. Wormald, C.A. as comptroller, Mr. Glen H. Morrow as head of the new consumer loan department, Mr. Stanley G. Tripp, manager of the Yonge Street branch, Mr. Theodore Kokkinos, manager of the Danforth Avenue branch and Mr. Frank De Profio, manager of the Eglinton Avenue West branch.

Outlook

Indications are that interest rates will rise slightly from current levels and stabilize by year-end. Notwithstanding this expected rise the profitability of the company should not be significantly affected. Through the more effective use of presently available funds as well as new deposits a further increase in earnings is expected in the current year.

I would like to take this opportunity to express my thanks to management and staff of the company for their efforts in the past year. They are sincerely appreciated.

On behalf of the directors, management and staff, I also wish to convey to all shareholders, my sincere appreciation for their assistance and co-operation in making 1971 a year of outstanding progress for the company.

David S. Ades,
President

April 18, 1972



FEDERAL SAVINGS AND LOAN CORPORATION
(Incorporated under the Loan and Trust Corporations Act of Ontario)

Statements of Income and

for the Year Ended December 31, 1971 Retained Earnings (Deficit)

(with comparative figures for 1970 - note 1)

	1971	1970
INCOME		
Income:		
Interest - mortgages	\$1,641,773	\$1,231,640
- consumer and demand loans	4,879	8,808
Income from securities	499,433	742,577
Mortgage placement fee and discount amortization	144,044	110,232
Fees and commissions	88,362	61,667
Other income	62,531	41,873
	<u>2,441,022</u>	<u>2,196,797</u>
Expenses:		
Interest - deposits and debentures	1,627,181	1,563,245
- other	2,143	3,264
Salaries, fees, commissions and benefits	326,859	272,190
Premises expenses (note 4)	122,826	109,163
Other operating expenses	202,835	229,217
	<u>2,281,844</u>	<u>2,177,079</u>
Operating income before income taxes	159,178	19,718
Income taxes	<u>73,400</u>	
Net operating income	85,778	19,718
Net gain on securities and mortgages less applicable income taxes (1971 - \$74,600; 1970 - nil) (note 8)	<u>89,798</u>	<u>4,830</u>
Net income before extraordinary item	175,576	24,548
Reduction in income taxes due to losses and other items carried forward from prior years (note 11)	<u>84,000</u>	
NET INCOME FOR THE YEAR (NOTE 10)	<u><u>\$ 259,576</u></u>	<u><u>\$ 24,548</u></u>
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of year	\$ (226,905)	\$ (251,453)
Net income for the year	<u>259,576</u>	<u>24,548</u>
Balance, end of year	<u><u>\$ 32,671</u></u>	<u><u>\$ (226,905)</u></u>

(See accompanying notes to financial statements)



FEDERAL SAVINGS AND LOAN CORPORATION
(Incorporated under the Loan and Trust Corporations Act of Ontario)

Balance Sheet December 31, 1971

(with comparative figures at December 31, 1970 - note 1)

ASSETS

	<u>1971</u>	<u>1970</u>
Cash and bank term deposits	\$ 3,663,183	\$ 2,423,041
Securities (note 2):		
Bonds	4,233,700	3,511,802
Short term notes		2,100,000
Stocks	478,590	285,864
	<u>4,712,290</u>	<u>5,897,666</u>
Loans:		
Consumer and demand	74,694	75,765
Mortgages (note 3)	<u>17,707,472</u>	<u>15,239,252</u>
	<u>17,782,166</u>	<u>15,315,017</u>
Accounts receivable and prepaid expenses	254,521	30,878
Office premises and equipment (note 4)	<u>571,889</u>	<u>390,445</u>
	<u>\$26,984,049</u>	<u>\$24,057,047</u>

AUDITORS' REPORT

To the Shareholders of
Federal Savings and Loan Corporation:

We have examined the balance sheet of Federal Savings and Loan Corporation as at December 31, 1971 and the statements of income and retained earnings (deficit) for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Corporation as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of accounting for gains on sales of securities as referred to in note 8, have been applied on a basis consistent with that of the preceding year.

The comparative figures as at December 31, 1970 and for the year then ended are based upon the financial statements for that year as reported upon by other Chartered Accountants.

Toronto, Canada,
March 13, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

LIABILITIES

	<u>1971</u>	<u>1970</u>
Deposits and debentures (note 5):		
Demand deposits	\$ 8,912,233	\$ 5,212,344
Debentures and term deposits	<u>15,442,034</u>	<u>16,615,102</u>
	<u>24,354,267</u>	<u>21,827,446</u>
Other liabilities:		
Income taxes payable (note 11)	64,000	
Accounts payable and accrued charges	119,219	142,020
Mortgagors' tax deposits	<u>321,472</u>	<u>292,801</u>
Mortgages payable (note 6)	72,750	
	<u>577,441</u>	<u>434,821</u>
Unamortized discounts and placement fees on mortgages receivable	190,185	192,200
Shareholders' equity:		
Capital (note 7) -		
Authorized:		
500,000 shares with a par value of \$10 each		
Issued:		
160,150 shares, fully paid	1,601,500	1,601,500
29,850 shares, partly paid	<u>29,850</u>	<u>29,850</u>
	1,631,350	1,631,350
Contributed surplus	198,135	198,135
Retained earnings (deficit)	<u>32,671</u>	<u>(226,905)</u>
	<u>1,862,156</u>	<u>1,602,580</u>
	<u>\$26,984,049</u>	<u>\$24,057,047</u>

David S. Ades, President

Gerald Rose, Secretary

(see accompanying notes to financial statements)



FEDERAL SAVINGS AND LOAN CORPORATION

Notes to Financial Statements

DECEMBER 31, 1971

1. Changes in Account Classifications and Reporting Requirements

The Corporation has adopted certain reporting practices to conform with recent recommendations in a research study published under the general authority of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. The 1970 comparative figures have been reclassified to conform to the 1971 presentation.

2. Securities

Bonds are stated at amortized cost plus accrued interest and stocks at cost less amounts written off. Securities held are comprised of the following:

	1971		1970	
	<u>Book Value</u>	<u>Quoted Market</u>	<u>Book Value</u>	<u>Quoted Market</u>
Bonds:				
Bonds of or guaranteed by -				
Government of Canada	\$ 772,406	\$ 767,765	\$1,228,395	\$1,233,065
Provinces of Canada	1,961,304	1,964,043	357,800	342,307
Canadian municipalities	127,650	121,501	125,097	111,897
Other bonds	<u>1,372,340</u>	<u>1,228,161</u>	<u>1,800,510</u>	<u>1,638,884</u>
	<u>4,233,700</u>	<u>4,081,470</u>	<u>3,511,802</u>	<u>3,326,153</u>
Short term notes			<u>2,100,000</u>	<u>2,100,000</u>
Stocks:				
Preferred	362,766	346,475	50,000	36,000
Common	<u>115,824</u>	<u>109,309</u>	<u>235,864</u>	<u>234,237</u>
	<u>478,590</u>	<u>455,784</u>	<u>285,864</u>	<u>270,237</u>
	<u>\$4,712,290</u>	<u>\$4,537,254</u>	<u>\$5,897,666</u>	<u>\$5,696,390</u>

3. Mortgages

Mortgages are stated at their face value less principal repayments plus accrued interest less an allowance for mortgage losses.

4. Office premises and equipment

	<u>1971</u>	<u>1970</u>
Buildings - at cost	\$323,800	\$163,209
Furniture and equipment - at cost	<u>124,108</u>	<u>120,065</u>
	447,908	283,274
Less accumulated depreciation	<u>142,361</u>	<u>98,495</u>
	305,547	184,779
Land - at cost	249,986	171,800
Leasehold improvements at cost less amounts written off	<u>16,356</u>	<u>33,866</u>
	<u>\$571,889</u>	<u>\$390,445</u>

Depreciation and amortization charged against operations amounted to \$30,203 in 1971 and \$23,715 in 1970

5. Deposits and Debentures

Deposits and debentures are shown at their principal amount plus accrued interest.

6. Mortgages Payable

The Corporation has the following mortgages outstanding on one of its branches:

9% first mortgage maturing May 31, 1976 with interest payable quarterly	\$45,500
9% second mortgage maturing March 2, 1975 payable in quarterly instalments of \$50 plus interest	<u>27,250</u>
	<u>\$72,750</u>

7. Capital Stock

At December 31, 1971 there was an outstanding option to purchase 15,000 shares of the capital stock of the Corporation at \$11 per share expiring June 30, 1974.

The balance of \$295,515 unpaid in respect of the 29,850 partly paid shares is payable at the call of the directors, but not later than 1974, and when paid will be added to the shareholders' equity.

8. Gain on Sale of Securities

During the year the Corporation changed its method of accounting for gains on sales of Government of Canada and provincial bonds. These gains are now recorded as income at the time the bond is sold, whereas, they were previously deferred and amortized if the proceeds were reinvested in similar securities. The foregoing change in the method of accounting for gains resulted in an increase in income before income tax for the current year of approximately \$20,000. Unamortized gains on securities on hand at the beginning of the year were considered immaterial.

9. Commitments

At December 31, 1971 the Corporation had mortgage commitments totalling approximately \$4,350,000.

Subsequent to the year end the Corporation entered into contracts for the purchase of fixed assets and renovations to one of its properties amounting to approximately \$95,000.

10. Earnings Per Share

	1971	Fully diluted earnings per share	1970.
	Earnings per share		Earnings per share
Net operating income	\$.53	\$.52	\$.12
Net securities gain	.55	.50	.03
Net income before extraordinary item	1.08	1.02	.15
Extraordinary item	.51	.47	
Net income for the year	<u>\$1.59</u>	<u>\$1.49</u>	<u>\$.15</u>

In calculating earnings per share each partially paid share has been included on a percentage basis to the extent that it was paid up. Fully diluted earnings per share show the effect on earnings per share which would result if the outstanding share option had been exercised and if the amount outstanding on the partially paid shares had been paid at the beginning of each year. For the purpose of these calculations, imputed earnings after tax are \$18,400 for each year.

In 1970 there would not have been any dilutive effect on net income per share.

11. Income Taxes

At December 31, 1971 the Corporation had unclaimed capital cost allowances in excess of depreciation written and other timing differences aggregating approximately \$83,000 available for carry-forward against future taxable income.

SEVEN YEAR SUMMARY (in thousands of dollars except per share figures)

	1971	1970	1969	1968	1967	1966	1965
Balance Sheet:							
Total Assets	\$26,984	\$24,057	\$20,021	\$14,258	\$9,347	\$6,996	\$4,584
Deposits and Investment Certificates	\$24,354	\$21,827	\$18,355	\$12,729	\$7,986	\$5,643	\$2,956
Shareholders' Equity	\$ 1,862	\$ 1,603	\$ 1,379	\$ 1,333	\$1,296	\$1,309	\$1,413
Earnings:							
Total Income	\$ 2,441	\$ 2,197	\$ 1,327	\$ 964	\$ 595	\$ 418	\$ 235
Net Operating Income (Loss)	\$ 86	\$ 20	\$ 24	\$ 21	\$ (28)	\$ (104)	\$ (189)
Net Income (Loss) for the year	\$ 260	\$ 25	\$ 46	\$ 37	\$ (13)	\$ (104)	\$ (189)
Per Share:*							
Net Operating Income (Loss)	\$ 0.53	\$ 0.12	\$ 0.16	\$ 0.14	\$ (0.19)	\$ (0.72)	\$ (1.30)
Net Income (Loss) for the year	\$ 1.59	\$ 0.15	\$ 0.32	\$ 0.26	\$ (0.09)	\$ (0.72)	\$ (1.30)

*Each partially paid share has been included on a percentage basis to the extent that it was paid up.



COUNTY SAVINGS and LOAN CORPORATION

ANNUAL REPORT 1971

COUNTY SAVINGS AND LOAN CORPORATION

Directors: David S. Ades, *B.Sc., A.M.C.T.,*
President
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation and
County Savings and Loan Corporation
Roger I. Coe, *C.A.,*
Treasurer,
Realty Capital Corp. Limited,
Federal Savings and Loan Corporation and
County Savings and Loan Corporation
Frank Austin, *B.A.,*
Solicitor, Toronto
William C. Lawrence, *Q.C.,*
Lawrence, Lawrence, Stevenson and Webber, *Brampton*
Remo Louis De Carli, (Deceased)
President, Connolly Marble, Mosaic and Tile Co. Ltd., Toronto
Ralph S. McCreath, *Q.C.,*
Day, Wilson, Campbell, Martin, *Toronto*
Alderman Joseph J. Piccininni,
Alderman of the City of Toronto

Officers: *David S. Ades, *President and General Manager*
*Consiglio Di Nino, *Assistant General Manager*
Ralph S. McCreath, *Q.C. Secretary*
*Roger I. Coe, *C.A., Treasurer and Comptroller*

Legal Counsel: Day, Wilson, Campbell, Martin, *Toronto*

Auditors: Clarkson, Gordon & Co., *Toronto*

Department Managers:

Raymond E. Mitchell, *C.A., Accounting*
Consiglio De Nino, *Branches - Advertising, Promotion*
Glen H. Morrow, *Consumer Loans*
Irving Kneller, *Mortgages*
Roger I. Coe, *C.A., Securities*
*Gerald Rose, *Special Advisor, Loans*

Branch Managers:

Aldo Principe, *1224 St. Clair Avenue West*
Giuseppe Totino, *2070 Danforth Avenue*

*Members of Executive Committee



COUNTY SAVINGS AND LOAN CORPORATION

President's Report

The year 1971 was an eventful and highly successful one for County Savings and Loan Corporation. Interest rates declined throughout the year which, with the substantial increase in assets and the careful control of expenses, had the effect of increasing profits to their highest level in your company's history.

Earnings

Total income of \$933,821 was up 36% over the 1970 figure of \$684,373. Net operating income rose to \$65,756 or \$0.57 per share in 1971 compared with \$18,217 or \$0.16 per share in 1970.

Net income amounted to \$78,399 or \$0.68 per share in 1971, compared with \$26,547 or \$0.23 per share in 1970, notwithstanding the fact that the 1970 net income included an extraordinary tax credit of \$11,000.

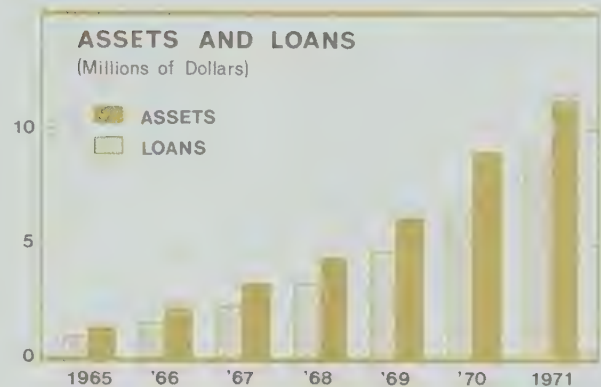
Dividends

For the first time in the company's history, a dividend was declared and paid in 1971. On December 15, 1971, a dividend of 10¢ per share was paid to shareholders of record at December 1, 1971.

Assets

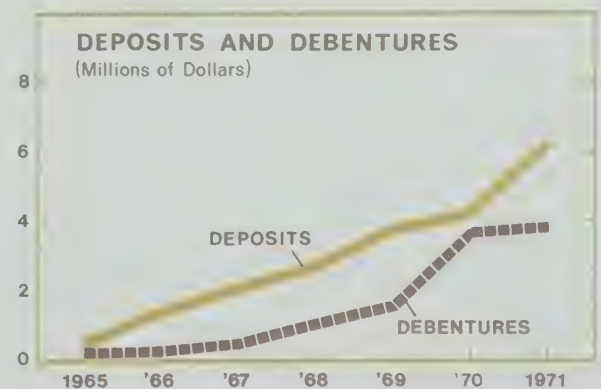
During the year total assets increased by \$2,264,741 or 25% to \$11,202,721. Most of this growth was in the mortgage portfolio which had the effect of improving the overall yield on earning assets to an average for the year of 9.7%.

During the year, the mortgage portfolio increased by \$2,158,282 to \$8,696,291 of which over 90% were in single family residential dwellings in and around Metropolitan Toronto.



Deposits and Debentures

The major contributing factor to the growth of your company in 1971 was the increase in chequing and savings deposits at its branches. The total number of chequing and savings accounts increased to 5,462 and by \$2,082,477 in 1971. This resulted in a reduction in the average overall cost of borrowing.



Securities

A Securities Investment Committee was formed early in the year which with the assistance of a number of leading Canadian investment dealers manages the company's portfolio of bond and equity securities. The

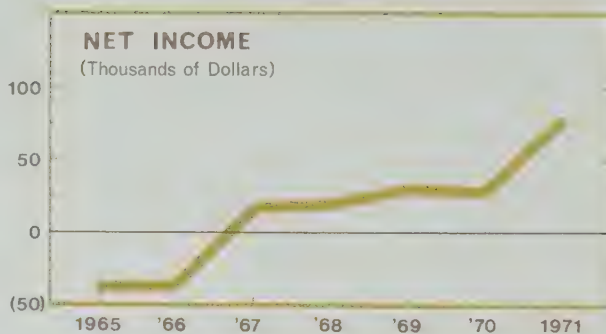
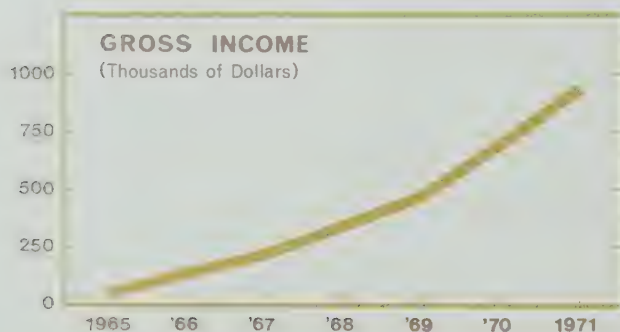
result was in increase in the profitability of this department and an improvement in the quality of the total portfolio.

Consumer Loans

In August of 1971, Mr. Glen H. Morrow joined the company as head of its consumer loan department. Mr. Morrow was previously with a Canadian chartered bank at which he was responsible for administering its personal loan business in the province of Ontario. The Department was officially launched on November 15, 1971 and results to date have been encouraging. Currently your company is permitted to invest up to 3% of its total assets in this field. As this department grows, and conditions warrant, it is management's intention to increase this form of investment up to 7% of total assets, subject to the approval of the appropriate government bodies.

Branch Operations

No new branches were opened during the year; however in July, 1971, the former 1954 Danforth Avenue branch was relocated at 2070 Danforth Avenue after completing the purchase of this building. Costs of relocation amounting to \$12,921 were written off against 1971 income. All branches continue to grow at a satisfactory rate and are operating profitably. The total number of customers serviced by the branches increased to about 6,800 as at December 31, 1971.



Management

Mr. A.G. Wallington resigned from your company during the year and we wish him success in his new endeavours. We also regret the passing of a good friend and director of the company, Mr. Remo De Carli. He will be sorely missed by all.

Mr. Roger I. Coe who has been with your company since 1968 and is its treasurer and comptroller, has been elected to the board of directors.

Outlook

As forecast in last year's report, interest rates continued to ease in 1971 and increases in assets and net income were achieved. I believe that with a possible slight upward movement interest rates will stabilize during the balance of the year. Notwithstanding this expected rate adjustment, the profitability of the company's activities should be maintained through careful control of costs and an anticipated growth of deposits.

I would like to take this opportunity to express my thanks to the management and staff of the company for their efforts in the past year. They are greatly appreciated.

On behalf of the directors, management and staff, I also wish to express to all the shareholders, our appreciation for their assistance and co-operation throughout 1971.

David S. Addes,
President

April 18, 1972



COUNTY SAVINGS AND LOAN CORPORATION
(Incorporated under the Loan and Trust Corporations Act of Ontario)

Statement of Income

for the Year Ended December 31, 1971

(with comparative figures for 1970 - note 1)

	<u>1971</u>	<u>1970</u>
Income:		
Interest - mortgages	\$668,803	\$456,117
- bank term deposits	35,393	43,232
- consumer and demand loans	8,890	8,952
Income from securities	84,219	60,346
Mortgage discount amortization	113,105	92,711
Other income	23,411	23,015
	<u>933,821</u>	<u>684,373</u>
Expenses:		
Interest - deposits and debentures	497,741	395,856
- mortgage	9,798	6,631
Salaries, fees and benefits	149,791	124,620
Premises expenses (note 4)	38,179	38,275
Other operating expenses	91,835	77,849
Branch relocation expenses	12,921	
	<u>800,265</u>	<u>642,731</u>
Operating income before income taxes	<u>133,556</u>	<u>41,642</u>
Income taxes:		
Current	22,800	8,425
Deferred	45,000	15,000
	<u>67,800</u>	<u>23,425</u>
Net operating income	65,756	18,217
Net securities gain (loss) less applicable income taxes (1971 - \$13,200; 1970 - \$2,575)	12,643	(2,670)
Net income before extraordinary item	78,399	15,547
Reduction in income taxes due to losses carried forward from prior years		11,000
NET INCOME FOR THE YEAR	<u><u>\$ 78,399</u></u>	<u><u>\$ 26,547</u></u>
Earnings per share:		
Net operating income	\$0.57	\$ 0.16
Net securities gain (loss)	0.11	(0.12)
Net income before extraordinary item	0.68	0.14
Extraordinary tax reduction		0.09
Net income for the year	<u><u>\$0.68</u></u>	<u><u>\$ 0.23</u></u>

(See accompanying notes to financial statements)



COUNTY SAVINGS AND LOAN CORPORATION
(Incorporated under the Loan and Trust Corporations Act of Ontario)

Balance Sheet December 31, 1971

(with comparative figures at December 31, 1970 - note 1)

ASSETS

	<u>1971</u>	<u>1970</u>
Cash and bank term deposits	\$ 397,305	\$1,050,072
Securities (note 2):		
Bonds	1,574,250	964,121
Stocks	115,788	102,010
	<u>1,690,038</u>	<u>1,066,131</u>
Loans:		
Consumer and demand	126,844	79,253
Mortgages (note 3)	8,696,291	6,538,009
	<u>8,823,135</u>	<u>6,617,262</u>
Accounts receivable and prepaid expenses.	20,143	16,476
Office premises and equipment (note 4)	<u>272,100</u>	<u>188,039</u>
	<u>\$11,202,721</u>	<u>\$8,937,980</u>

AUDITORS' REPORT

To the Shareholders of
County Savings and Loan Corporation:

We have examined the balance sheet of County Savings and Loan Corporation as at December 31, 1971 and the statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 28, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

LIABILITIES

	<u>1971</u>	<u>1970</u>
Deposits and debentures (note 5):		
Demand deposits	\$ 6,269,566	\$4,187,089
Debentures and term deposits	<u>3,788,936</u>	<u>3,750,392</u>
	<u>10,058,502</u>	<u>7,937,481</u>
Other liabilities:		
Income taxes payable	36,000	
Accounts payable and accrued charges	32,330	18,541
10% mortgage due May 1, 1975, payable in monthly instalments of \$150 plus interest	<u>97,150</u>	<u>98,950</u>
	<u>165,480</u>	<u>117,491</u>
Unamortized discounts on mortgages receivable	259,543	275,601
Deferred income taxes	60,000	15,000
Shareholders' equity:		
Capital -		
Authorized:		
1,000,000 shares with a par value of \$5 each		
Issued:		
116,100 shares	580,500	580,500
Retained earnings	<u>78,696</u>	<u>11,907</u>
	<u>659,196</u>	<u>592,407</u>
	<u>\$11,202,721</u>	<u>\$8,937,980</u>

David S. Ades, President

Ralph McCreath, Secretary

(See accompanying notes to financial statements)



COUNTY SAVINGS AND LOAN CORPORATION

Statement of Retained Earnings

for the Year Ended December 31, 1971

(with comparative figures for 1970 - note 1)

	1971	1970
Balance (deficit), beginning of year	\$11,907	\$ (14,640)
Deduct dividends	<u>11,610</u>	<u> </u>
	297	(14,640)
Net income for the year	<u>78,399</u>	<u>26,547</u>
Balance, end of year	<u>\$78,696</u>	<u>\$ 11,907</u>

(see accompanying notes to financial statements)

Notes to Financial Statements

DECEMBER 31, 1971

1. Changes in account classifications and reporting requirements

The Company has adopted certain reporting practices to conform with recent recommendations in a research study published under the general authority of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. The 1970 comparative figures have been reclassified to conform to the 1971 presentation.

2. Securities

Bonds are stated at amortized cost plus accrued interest and stocks at cost less amounts written off. Securities held are comprised of the following:

	1971		1970	
	<u>Book value</u>	<u>Quoted Market</u>	<u>Book Value</u>	<u>Quoted Market</u>
Bonds:				
Bonds of or guaranteed by -				
Government of Canada	\$ 591,472	\$ 594,266	\$ 665,919	\$ 673,466
Provinces of Canada	946,821	950,113	257,191	239,843
Canadian municipalities	10,023	9,388	10,015	8,500
Other bonds	<u>25,934</u>	<u>24,498</u>	<u>30,996</u>	<u>29,178</u>
	<u>1,574,250</u>	<u>1,578,265</u>	<u>964,121</u>	<u>950,987</u>
Stocks:				
Preferred	73,224	73,630	21,475	16,929
Common	<u>42,564</u>	<u>26,907</u>	<u>80,535</u>	<u>53,968</u>
	<u>115,788</u>	<u>100,537</u>	<u>102,010</u>	<u>70,897</u>
	<u>\$1,690,038</u>	<u>\$1,678,802</u>	<u>\$1,066,131</u>	<u>\$1,021,884</u>

3. Mortgages

Mortgages are stated at their face value less principal repayments plus accrued interest less an allowance for mortgage losses.

4. Office premises and equipment

	1971	1970
Buildings - at cost	\$160,341	\$127,754
Furniture and equipment - at cost	57,749	46,123
	218,090	173,877
Less accumulated depreciation	64,021	47,949
	154,069	125,928
Land - at cost	118,031	50,671
Leasehold improvements at cost less amounts written off		11,440
	<u>\$272,100</u>	<u>\$188,039</u>

Depreciation and amortization charged against operations amounted to \$16,239 in 1971 and \$17,327 in 1970.

5. Deposits and debentures

Deposits and debentures are shown at their principal amount plus accrued interest.

SEVEN YEAR SUMMARY

(in thousands of dollars except per share figures)

	1971	1970	1969	1968	1967	1966	1965
Balance Sheet:							
Total Assets	\$11,203	\$8,938	\$6,078	\$4,322	\$3,152	\$2,137	\$1,160
Deposits and Investment Certificates	\$10,059	\$7,937	\$5,314	\$3,759	\$2,612	\$1,573	\$ 474
Shareholders' Equity	\$ 659	\$ 592	\$ 566	\$ 537	\$ 518	\$ 529	\$ 504
Earnings:							
Total Income	\$ 934	\$ 684	\$ 474	\$ 325	\$ 214	\$ 125	\$ 48
Net Operating Income (Loss)	\$ 66	\$ 18	\$ 14	\$ 12	\$ 9	\$ (38)	\$ (39)
Net Income (Loss) for the year	\$ 78	\$ 27	\$ 29	\$ 18	\$ 15	\$ (38)	\$ (39)
Per Share:*							
Net Operating Income (Loss)	\$ 0.57	\$ 0.16	\$ 0.12	\$ 0.11	\$ 0.08	\$ (0.32)	\$ (0.34)
Net Income (Loss) for the year	\$ 0.68	\$ 0.23	\$ 0.25	\$ 0.16	\$ 0.13	\$ (0.32)	\$ (0.34)

*All figures have been adjusted for 2 for 1 sub-division of shares in 1967.



REALTY CAPITAL CORP. LIMITED

Head Office 141 Yonge Street, Toronto 210

SUBSIDIARIES

Federal Savings and Loan Corporation

Branch Offices 141 Yonge Street, Toronto 210
605 Danforth Avenue, Toronto 275
950 St. Clair Avenue West, Toronto 345
1850 Eglinton Avenue West, Toronto 341

County Savings and Loan Corporation

Branch Offices 1224 St. Clair Avenue West, Toronto 341
2070 Danforth Avenue, Toronto 269

Commodore Investments Limited
Warchester Investments Limited
Realty Capital Investments (Central) Limited
Edenhurst Developments Limited

Head Office 141 Yonge Street, Toronto 210

SERVICES AND FUNCTIONS

Savings Accounts	Travellers Cheques
Chequing Accounts	First Mortgage Loans
Current Accounts	Mortgage Management
Investment Certificates	Mortgage Banking
Short-term Deposits	Interim Construction Loans
Safety Deposit Boxes	Secondary Financing
Safe Keeping	Consumer Loans
Foreign Exchange	Land Development
Money Orders	Construction

REALTY CAPITAL CORP. LIMITED
CONSOLIDATED SEVEN YEAR SUMMARY

	1971	1970	1969	1968	1967	1966	1965
Total income	\$ 3,529,273	\$ 1,208,171	\$ 544,358	\$ 467,556	\$ 383,833	\$ 354,613	\$ 276,043
Cost of borrowing	<u>1,859,154</u>	<u>585,224</u>	<u>158,648</u>	<u>151,927</u>	<u>155,144</u>	<u>166,788</u>	<u>128,348</u>
	1,670,119	622,947	385,710	315,629	228,689	187,825	147,695
Operating expenses	<u>999,572</u>	<u>449,763</u>	<u>170,326</u>	<u>131,664</u>	<u>100,047</u>	<u>79,173</u>	<u>62,834</u>
Earnings before taxes	670,547	173,184	215,384	183,965	128,642	108,652	84,861
Provision for taxes	<u>312,933</u>	<u>92,500</u>	<u>109,000</u>	<u>87,486</u>	<u>56,756</u>	<u>46,703</u>	<u>34,284</u>
Earnings after taxes	357,614	80,684	106,384	96,479	71,886	61,949	50,577
Adjustments*			9,831	4,635	2,881	(7,332)	(7,040)
Net earnings	\$ <u>357,614</u>	\$ <u>80,684</u>	\$ <u>116,215</u>	\$ <u>101,114</u>	\$ <u>74,767</u>	\$ <u>54,617</u>	\$ <u>43,537</u>
Number of shares outstanding:							
Class A	306,375	306,375	306,375	30,500**	30,000**	30,000**	30,000**
Common	174,400	174,400	174,400	174,400**	174,400**	174,400**	174,400**
Dividends per share:							
Class A	20¢	20¢	15¢	15¢**	15¢**	15¢**	15¢**
Common	20¢	20¢	-	-	-	-	-
Earnings per share:							
Class A	74¢	20¢	28¢	49¢**	37¢**	27¢**	21¢**
Common	74¢	11¢	28¢	49¢**	37¢**	27¢**	21¢**
Fully diluted earnings per share:							
Class A	49¢	20¢	23¢	30¢**			
Common	49¢	6¢	23¢	30¢**			
Shareholders equity*	\$ 2,073,008	\$ 1,811,549	\$ 1,827,020	\$ 730,989	\$ 632,394	\$ 562,127	\$ 511,760
Mortgages receivable	\$29,227,804	\$ 9,556,142	\$3,323,373	\$2,548,828	\$2,477,734	\$2,937,831	\$2,944,340
Real estate	\$ 3,641,609	\$ 3,350,311	\$3,001,389	\$ 391,268	\$ 461,210	\$ 61,881	
Total assets*	\$45,036,185	\$15,558,732	\$6,738,801	\$3,258,394	\$3,244,927	\$3,378,906	\$3,240,283

*Adjusted for company's share in earnings (losses) of County Savings and Loan Corporation

**Adjusted for 2 for 1 split in January, 1969





REALTY CAPITAL CORP. LIMITED



FEDERAL SAVINGS AND LOAN CORPORATION



COUNTY SAVINGS AND LOAN CORPORATION

AR43

Notes

1. All figures are subject to audit and year-end adjustments.
2. A statement of source and application of funds has not been included as it is not practicable to apportion certain assets and liabilities into current and non-current categories.
3. The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective six month periods.
4. Calculations have been made as if all options, warrants and conversion rights had been exercised at January 1 of each period or at the actual date of issue or conversion which occurred during the period. Appropriate adjustments have been made to income for elimination of interest on subordinated convertible debentures (less related income taxes) and for imputed earnings (using the company's borrowing rate of 9% p.a.) on proceeds from the exercise of all options and warrants.
5. A dividend of 20¢ per share must be paid in a given fiscal year before any dividends can be paid on the common shares in that year, and if such 20¢ dividend is paid on both the Class A and Common shares, the shares of both classes participate equally, share for share, in any additional dividends paid in that fiscal year.



REALTY CAPITAL CORP. LIMITED

133 Richmond St. W., Toronto 1, Canada

INTERIM REPORT

for the six months ended June 30, 1970



REALTY CAPITAL CORP.
LIMITED

REALTY CAPITAL CORP. LIMITED

President's Report

I am pleased to present the consolidated unaudited statement of earnings of your Company for the six months ended June 30, 1970.

Total income was \$544,427 compared to \$223,744 for the same period in 1969. Net earnings after taxes and minority interest were \$60,317 compared to \$41,888 for the corresponding six months last year. These increases were 143% and 44% respectively.

Based on the weighted monthly average number of shares outstanding during the respective six month periods, ended June 30, 1970 and 1969, earnings per share were \$0.13 and \$0.12 respectively.

The growth of earnings was due to the continued increase of your Company's activities. Income from the mortgage portfolio increased and real estate and land sales also continued to contribute significantly to the overall earnings.

County Savings and Loan Corporation had net profits of \$9,594 for the six month period ended June 30, 1970. This Company did not contribute to earnings as much as anticipated due to a sudden increase in funds from the sale of Investment Certificates, which funds whilst paying interest immediately were not yet fully invested. It is anticipated by Management that the second half of the year will show an improvement in this situation.



David S. Ades
President

September 8, 1970

Consolidated Statement of Earnings

	Six months ended June 30	
	1970	1969
Total income	\$ 544,427	\$ 223,744
Interest	232,003	67,871
Administration expenses	180,509	71,169
Depreciation and amortization	13,243	6,260
	<u>425,755</u>	<u>145,300</u>
Earnings before income taxes and minority interest	118,672	78,444
Income taxes	54,500	36,556
	<u>64,172</u>	<u>41,888</u>
Minority interest	3,855	—
Net earnings for the period	\$ 60,317	\$ 41,888
Dividends paid on Class "A" shares	\$ 30,638	\$ 14,030
Number of shares outstanding		
Class "A"	306,375	300,375
Common	174,400	174,400
	<u>480,775</u>	<u>474,775</u>
Net earnings per share (Class "A" and Common) (Note 5 and 3)	\$ 0.13	\$ 0.12
Fully diluted earnings per share (Class "A" and Common) (Note 4 and 3)	\$ 0.11	\$ 0.10

As at June 30

	1970	1969
Total assets	<u>\$13,986,042</u>	<u>\$ 6,052,212</u>

(See accompanying notes)